

TEACHERS RETIREMENT BOARD
BUDGETS AND AUDITS COMMITTEE

SUBJECT: School District Final Reports

ITEM NUMBER: 12

ATTACHMENTS: 1

ACTION:

DATE OF MEETING: October 14, 1999

INFORMATION: X

PRESENTER: Mr. Lee

As explained in Agenda Item 7, the school district audit section experienced a 100% turnover in staff and undertook a re-engineering of the school district audit process. As a result, we had 16 audits in process at June 30, 1999 that we evaluated to determine whether it would be cost-effective to complete these audits. The audit team developed a weighted criteria that considered timeliness of the report compared the years audited, the quality and accuracy of audit evidence and analysis, the materiality on allowances if the member is retired and contributions if not, and the classification of the members.

Based on these weighted criteria, we closed 11 audits in August and September 1999. These 11 audits had an average potential dollar effect less than \$16,000 compared to the average of more than \$61,000 for the prior 50 audits. The cost to fully complete each audit is about \$15,000. Thus the cost-benefit to complete the 11 closed audits was negligible whereas the expected cost-benefit is more than \$4.00 benefit for each dollar spent.

We sent each of the 11 districts an audit closure letter and recommended that they thoroughly review several of the most important criteria in reporting earnings, sick leave service credit, and post-retirement earnings.

Five audits are still in progress and should either be completed or closed by November 1999.

STRS Office of Audits
School District Audits
Summary of Dollars Saved or Corrected
As of September 20, 1999

Attachment I - Item 12
 Budgets And Audits Committee
 October 14, 1999
 Page 1

					D O L L A R E F F E C T						
					1	2	3	4			
					Active Members	Retired Members	Unreported Post		Total Dollar		
					Correction of Contributions	Net Present Value Effect	Retirement Earnings	Excess Earnings	Effect (Col 1+2+4)	Audit Budget	Hours Actual
District Audited	Audit Field Work Year	Total Teachers & Retirants	Total Number of Accounts Audited	With Error							
Audits Dropped, Closure Letter Issued in FY 1999-2000:											
1 Lincoln	95-96	503	50	37	\$ 16,515	\$ 65,701	\$ -	\$ -	\$ 82,216	240	330
2 Grossmont	95-96	1,445	45	10	2,940	17,408	-	-	20,348	230	344
3 Davis	95-96	531	45	16	1,276	-	10,826	1,466	2,742	230	192
4 River Delta	96-97	140	32	6	3,464	-	-	-	3,464	270	148
5 Calaveras Unified	96-97	209	16	-					-	150	62
6 San Juan	96-97	3,242	45	5	5,095				5,095	270	175
7 Sacramento City	96-97	2,814	54	13	-	10,088	-	-	10,088	270	465
8 Lynwood	97-98	750	57	8	3,424	1,451			4,874	320	181
9 North Sacramento	97-98	349	50	9	3,380	17,454			20,834	320	148
10 Los Angeles County	97-98	1766	87						-	320	148
11 Compton	97-98	1,982	72	7	3,487	19,900			23,387	320	200
		13,731	553	111	\$ 39,580	\$ 132,002	\$ 10,826	\$ 1,466	\$ 173,048	2,940	2,393
Estimated Average:									\$ 15,732		

Audits became old due to staff turnover and were dropped to clear backlog. These audits were of relatively small dollar effect compared to the average of \$61,464 for the 50 audits issued in the past 5 years.